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Medical group offers 50m shares at 20

By LOH CHEN YI

MEDICAL consultants Reed Group Holdings, the first company with a US business history to launch an initial public offer on the Singapore Exchange, has priced its shares at 20 cents a piece.

The company, which was incorporated in Singapore last November and whose US predecessor has been operating since 1977, is offering 50 million new shares of five cents par value.

Reed will be listed and traded on Sesdaq.

Of the total, five million shares will be offered to the public for subscription over the Internet.

The remaining 45 million shares are available through application forms from banks and stockbroking companies.

The company intends to use $2 million of the $8.3 million in net proceeds to repay debt owing to Reed's shareholders in a restructuring of its US operations prior to the Sesdaq listing.

It will also spend $3 million on various Internet initiatives to boost its product line while the remaining $3.3 million will be used to fund working capital needs.

Speaking at the launch of the public offer, chairman Presley Reed said: ""We believe that no real competition for what we do exists at this time given the nature and the way our product is put together."

He was referring to the flagship Medical Disability Advisor, which is in use by over half of the US Fortune 500 companies.

The company has another three lines of businesses relating to medical management services, software development and educational services.

At the issue price, the shares are at a relatively hefty price-earnings (PE) ratio of 74.1 times based on last year's earnings.

The PE ratio jumps to 133.3 times when service agreements binding Dr Reed and his wife Stacey, who is also the company's president, are factored into overall operating costs.

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These service agreements, which came into effect last month, entitle Dr and Mrs Reed to an annual salary each of US$200,000 (S$347,800) a year as well as annual bonuses not exceeding three months.

The share offer will close next Monday and the shares will trade on a ""when issued" basis next Tuesday.

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